

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5800

EASTERN WASHINGTON UNIVERSITY

Agency No. 370

July 1, 1995 Through June 30, 1996

Issue Date: April 4, 1997

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EASTERN WASHINGTON UNIVERSITY
Agency No. 370
July 1, 1995 Through June 30, 1996

Overview

We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at Eastern Washington University included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There were findings, which are listed in the Schedule of Findings following this Overview, for Eastern Washington University.

Brian Sonntag, CGFM
State Auditor

February 21, 1997

EASTERN WASHINGTON UNIVERSITY
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July 1, 1995 Through June 30, 1996

Schedule Of Findings

1. Eastern Washington University Should Enter Into A Written Agreement With The Eagles Athletic Association

The university has an oral arrangement with the Eagles Athletic Association, a nonprofit organization, to raise funds to promote the university's athletic programs. The association also provides scholarships for university athletes. In exchange for these benefits, the university provides staff time and other resources to the association.

In fiscal year 1996, the university received in excess of \$148,000 from the association to benefit university athletic programs.

Without a written agreement, it would be difficult for the university to hold the association to what the university believes is the association's responsibilities under this arrangement. In addition, without a written agreement, the resources provided by the university to the association may be construed as a gift of public funds. Gifts of public funds are prohibited by Article 8, Section 5, of the state constitution.

RCW 19.36.010 states in part:

In the following cases . . . any agreement . . . shall be void, unless such agreement . . . be in writing, and signed . . . (1) Every agreement that by its terms is not to be performed in one year from the making thereof

The university has written agreements with two other nonprofit organizations that promote university programs: the Eastern Washington University Foundation and the Eastern Washington University Alumni Association. However, the university had not pursued entering into a written agreement with the Eagles Athletic Association.

We recommend that the university enter into a written agreement with the Eagles Athletic Association.

Auditee's Response

The university concurs with this finding and is in the process of documenting the agreement.

Auditor's Concluding Remarks

We appreciate the university's timely attention to this issue. We will review the agreement in our next audit.

2. Eastern Washington University Should Deposit And Record Cash Receipts In A Timely Manner

The university is not depositing and recording cash receipts in a timely manner in all university departments. In our testing of cash receipts, we noted the following.

- a. Six departments were not depositing cash receipts with the central cashier within the time frame required by the Office of Financial Management. We reviewed deposits totaling \$73,618. Of those deposits, a total of \$17,616 were deposited late. These late deposits were made from 2 to 16 days after cash had been received.
- b. Four departments were not depositing cash receipts with the bank within the time frame required by the Office of Financial Management. We reviewed deposits totaling \$6,581. Of these deposits, a total of \$4,284 were deposited late. These deposits were made from 3 to 15 days after cash had been received.
- c. The central cashier was not recording all cash receipts on the day received. We reviewed cash receipts totaling \$80,199. Of these cash receipts, \$18,464 were not recorded on the day received. These cash receipts were recorded 4 to 5 days after the day received.

Paragraph 2.2.4.1.2(a) of the Office of Financial Management (OFM) *Policies, Regulations, and Procedures* manual states in part:

Cash receipts for deposit in local accounts established pursuant to RCW 43.88.195 or other statutory provision are to be deposited intact within 24 hours of receipt . . . unless:

- (1) A specific written waiver is granted by OFM, or
- (2) Total cash receipts on hand (exclusive of change accounts) are under \$250.

Paragraph 2.2.2.1.1(b) of the OFM *Policies, regulations, and Procedures* manual states in part:

Agencies are to maintain daily cash receipt records reflecting all daily receipts by account and source.

Department personnel stated that deposits were not made more often because of limited staff resources or the separate campus location of a cash receipting site from the department made more frequent deposits less convenient. Central cashiering personnel stated cash receipts were sometimes recorded late during a busy week or when an employee was on leave.

Not depositing and recording cash receipts in a timely manner increases the risk of loss or theft.

We recommend that Eastern Washington University deposit and record cash receipts in accordance with Office of Financial Management regulations.

Auditee's Response

The university agrees with this finding and repeat efforts are underway to facilitate activities at satellite operations which will improve deposit time. Also training sessions on cash handling requirements are planned to ensure employees are aware and understand the controls involving cash receipting activities.

Auditor's Concluding Remarks

We thank the university for their timely response to our audit findings. We will review the new cash receipting procedures for decentralized areas in our next audit.

3. Eastern Washington University Should Improve Accountability For Equipment

The university has not established adequate procedures to account for equipment. In our review of equipment procedures, we noted the following:

- a. The university does not maintain accountability for inventory tags. Without adequate records, the university cannot determine if all tagged equipment is on the inventory system.
- b. The university does not completely reconcile departmental physical counts to the inventory records. Many items not located are not followed up on to determine their disposition. When these items are not followed up on, risk of loss of those assets increases.
- c. The university does not have formal written policies or procedures for the removal of assets from inventory. As a result, the sale or destruction of surplus property is not reported regularly to the person in charge of posting changes in the inventory records.
- d. The university does not determine if surplus equipment was bought with federal funds. As a result, federal awarding agencies may not be contacted for disposal instructions when it is appropriate to do so.

State of Washington, Office of Financial Management's *Policies, Regulations, and Procedures* manual, Section 3.2.2.3.1(f) states:

Agencies are to ensure that adequate controls for safeguarding unissued, mutilated, and voided tags are established.

Section 3.2.2.2.5(d) states:

After the physical count is completed, the reconciliation process is to be performed by the inventory officer. Reconciliation is defined as the process of identifying, explaining, and correcting the differences occurring between the physical count and the inventory records. When all differences have been identified, explained and corrected, the inventory is considered reconciled.

Section 3.2.2.2.2(a) states in part:

Agencies are to adopt internal policies and procedures regarding the timely removal of assets from inventory

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Nonprofit Organizations*, Subpart C, Section __.34(g) states in part:

When the recipient no longer needs . . . equipment with a current per unit fair market value of \$5,000 or more . . . the recipient shall request disposition instructions from the Federal awarding agencies.

Without complete procedures to account for equipment, the university cannot adequately safeguard its assets and comply with state and federal requirements.

University personnel were not aware of these requirements.

We recommend that Eastern Washington University improve accountability for equipment.

Auditee's Response

The university is currently in the process of converting its fixed asset system which should improve the record keeping process. Efforts are also scheduled to remind and educate academic and operating departmental officials and employees on their responsibilities in the overall management of the university's fixed assets.

Auditor's Concluding Remarks

We thank the university for their timely response to our audit finding. We will review the university's progress on accounting for fixed assets in our next audit.